



CHAPTER – VI: Other Non-Tax Receipts

6.1 Results of audit

During the year 2011-12, a performance audit on ‘Forest Receipts’¹ was conducted. Besides, records of 30 units relating to the Environment and Forest Department (E&F Department) were test checked which revealed cases of non/short realisation of royalty, loss/blocking of revenue due to delay in disposal of timber and other irregularities involving ₹ 54.10 crore in 173 cases. Also, a theme audit on ‘Assessment, levy and collection of Water Rates for irrigation/non-irrigation purposes in Assam’ was conducted in the Irrigation Department which revealed observations involving ₹ 617.44 crore. Details are in Table 1.

Table 1
Results of Audit

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
Irrigation Department			
1.	Theme Audit on - Assessment, levy and collection of water rates for irrigation/non-irrigation purposes in Assam	01	617.44
E&F Department			
1.	Non-realisation of forest revenue	11	23.99
2.	Loss of revenue due to non-settlement/delay in settlement of <i>mahals</i>	10	1.79
3.	Loss of revenue due to delay in disposal of timber	08	1.55
4.	Loss of revenue due to illegal felling and removal of timber	05	0.35
5.	Other irregularities ²	139	26.42
Total		174	671.54

The E&F Department accepted 25 cases with revenue implication of ₹ 1.85 crore of which 11 cases involving ₹ 1 crore pertained to 2011-12 and the rest related to earlier years. During 2011-12, the Department recovered ₹ 74.87 lakh in five cases.

¹ Presented as a separate stand alone Report titled ‘Report of the Comptroller and Auditor General of India for the year ended 31 March 2012 (Performance audit on Forest Receipts), Government of Assam.

² This includes 101 paragraphs involving ₹ 13.41 crore pertaining to expenditure accounts.

The theme audit on ‘Assessment, levy and collection of water rates for Irrigation/non-irrigation purposes in Assam’ and a few illustrative audit observations in respect of E&F Department involving financial implication of ₹ 617.44 crore and ₹ 83.15 lakh respectively are mentioned in the succeeding paragraphs.

6.2 Assessment, Levy and Collection of Water Rates for Irrigation/ non-Irrigation purposes in Assam

6.2.1 Introduction

Water is a scarce and precious national resource to be planned, developed, conserved and managed on an integrated and environmentally sound basis, keeping in view the socio-economic aspects and needs of the States of the country. Usage of water from which revenue is generated can be broadly classified into two categories, *viz.* for irrigation purposes and non-irrigation purposes. In the planning and operation of systems, water allocation priorities should broadly cover drinking water, irrigation, hydro power, ecology, agro-industries and non-agro industries and navigational and other purposes. As a significant step towards development, conservation, utilisation and management of water, the Water Resources Ministry of the Government of India has chalked out a “National Water Policy” in 1987 which has been subsequently reviewed and updated in 2002.

Water resources in Assam as a whole are substantial. About 8,251 sq km representing 10.5 *per cent* of the total geographical area of the State, is occupied by surface water bodies. Of this, about 6,503 sq km is occupied by



**Mighty Brahmaputra - principal source of
water in Assam**

the river systems including the mighty Brahmaputra and 1,748 sq km by natural wetlands including seasonal and permanent waterlogged and marshy areas and man-made reservoirs and tanks. The annual replenishable groundwater resources of the State are estimated as 27.23 billion cubic metres³ and net annual ground water availability is 24.89 billion cubic metre of which, 4.85 billion cubic metre is for irrigation and 0.59 billion cubic metre

is for domestic and industrial uses. The overall extent of groundwater exploitation in the State is 22 *per cent* – with the lowest figure of two *per cent* in Cachar District and highest 56 *per cent* in Bongaigaon District – and has been categorised as ‘safe’.

³ Source : Dynamic groundwater resources of India – 2004 – prepared by Central Ground Water Board, Ministry of Water Resources, Government of India.

The Assam Irrigation (AI) Act, 1983 and Rules 1997 entrust the Irrigation Department (Department) of the Government of Assam (Government) with the responsibility of management of water supply from any irrigation work⁴ in the State and collection of water rates - a non-tax receipt. Water is supplied through irrigation projects for irrigation purpose on the land under assured/probable gross command area (GCA)⁵ belonging to culturable command area (CCA)⁶. However, administration of water resources used for non-irrigational purposes like generation of electricity, domestic, commercial and industrial use is yet to be streamlined.

The subject, “Assessment, levy and collection of water rates for irrigation and non-irrigation purposes in Assam’ covering the period 2005-06 to 2010-11 was audited in two spells between December 2000 – March 2011 and June – July 2012. Audit findings are mentioned in succeeding paragraphs.

15⁷ out of 51 Irrigation Divisions were test checked covering the periods from 2005-06 to 2011-12. Divisions were selected through statistical sampling using population proportionate sampling with replacement (PPSWR) method. Besides, records of the Public Health Engineering Department, Assam Urban Water Supply and Sewerage Board, Assam Power Generation Corporation Limited and some other relevant industries, were also cross checked with those of the Department.

⁴ As per the AI Act, irrigation work means – any part of river, stream, lake, natural collection of surface water or ground water.

⁵ Total area projected for cultivation.

⁶ All land within the irrigable command of an irrigation work which are fit for cultivation.

⁷ 1) CAD Irrigation Division, Kaliabor; 2) Dhansiri Weir Project Irrigation Division; 3) Dhansiri Canal I Irrigation Division; 4) Goalpara Irrigation Division; 5) Guwahati Irrigation Division; 6) Karbi Anglong Irrigation Division; 7) Kokrajhar Irrigation Division; 8) Jamuna CAD Irrigation Division; 9) Mangaldoi Irrigation Division; 10) Nagaon Irrigation Division, 11) Nalbari Irrigation Division; 12) Pahunara Rupahai Irrigation Division; 13) Pathsala Irrigation Division; 14) Rangia Irrigation Division and 15) Tezpur Irrigation Division.

Audit findings**6.2.2 Trend of revenue**

As per the provisions of the Assam Budget Manual, the estimates of revenue and receipts should show the amount expected to be actually realised within the year including arrears for previous years and advance collections for the ensuing year keeping in view probabilities of their realisation during the year.

Details of budget estimates and actual revenue realised from 2005-06 to 2010-11 are given in Table 2.

Table-2
Trend of revenue

(₹ in crore)

Sl. No.	Year	Budget estimates	Actual receipts ⁸	Short fall (-)/ Surplus (+)	Percentage of surplus/shortfall
(1)	(2)	(3)	(4)	(5)	(6)
1.	2005-06	0.52	0.38	(-) 0.14	(-) 26.92
2.	2006-07	0.80	0.62	(-) 0.18	(-) 22.50
3.	2007-08	0.86	0.70	(-) 0.16	(-) 18.60
4.	2008-09	1.05	1.21	(+) 0.16	15.24
5.	2009-10	0.80	1.34	(+) 0.54	67.50
6.	2010-11	1.38	0.80	(-) 0.58	57.97

Source: Budget documents and Finance Accounts.

Though there was consistent growth in actual receipts except in 2010-11, budget estimates were not prepared keeping in view the actual receipts of previous years and there was mismatch between the budget estimates and actual receipts during all the above years. Further, the budget estimates also did not take into account the water rates due for the year as per potential utilised (as shown in column 4 of table 3) which indicates lack of co-ordination between the Finance and Irrigation Department. Sharp increase in actual receipts in 2008-09 and 2009-10 over budget estimates was due to increase in receipts from minor irrigation schemes. However, there exists large scope for optimising the revenue receipts from 'water rates', if the deficiencies pointed in the succeeding paragraphs are rectified by the Government.

⁸ As reported in Finance Accounts of the State.

System deficiencies

6.2.3 Assessment and raising of demand of water rates

As per Sections 41 and 43 of the AI Act, the irrigation officer shall prepare an assessment of water rates for the land in respect of which water was supplied from an irrigation work and serve a demand notice for recovery of water rates so assessed.



It was observed that though the Act and the Rules empowered the irrigation officers to assess and serve demand notices, neither the Act nor the Rules prescribed any time limit for finalising such assessment and serving the notice for demand which could have helped instill the awareness among beneficiaries of the need for payment of water rates. While in some cases demands were not raised on regular basis on beneficiaries of irrigation schemes, in a majority of the cases, demands were not raised at all. Consequently, against the total realisable amount of ₹ 51.08 crore⁹ during the years 2005-06 to 2010-11, the department realised only ₹ 17.30 lakh. This led to non-realisation of ₹ 50.78 crore as of March 2011; the percentage of recovery ranged between 0.05 and 0.11 *per cent* only, as mentioned in Table 3.

Table-3
Non-realisation of water rates/service charges

(₹ in crore)

Sl. No.	Year	Opening Balance	Water rates due for the year as per potential utilised	Amount to be recovered	Actual Amount recovered	Balance recovery	Percentage of recovery
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	2005-2006	29.33	2.46	31.79	0.035	31.75	0.11
2.	2006-2007	31.75	3.35	35.10	0.020	35.08	0.06
3.	2007-2008	35.08	3.14	38.22	0.019	38.20	0.05
4.	2008-2009	38.20	2.86	41.06	0.020	41.04	0.05
5.	2009-2010	41.04	5.13	46.17	0.031	46.14	0.07
6.	2010-2011	46.14	4.81	50.95	0.048	50.90	0.09
Total			21.75		0.173		

Source: Figures as furnished by the department.

After this was pointed out, the Government stated (August 2012) that the Department has increased the realisation of water charges over the years after

⁹ Opening balance of ₹ 29.33 crore plus the demands during the years 2005-06 to 2010-11 *i.e.* ₹ 21.75 crore.

the receipt of the Audit Report and they would further try to increase the realisation in future.

Recommendation 1:

The Government may consider prescribing 'timelimit' for completion of assessments and raising of demand.

6.2.4 Water utilised for non-irrigation purposes

In the non-irrigation sector, water is mainly utilised for (i) generation of electricity, (ii) domestic (iii) commercial and (iv) industrial purposes. It was observed that the AI Act has stipulated that supply/use or making available of water for irrigation or any other purposes from any water bodies in the State which includes any part of river, stream, natural collection of surface water or ground water - would attract payment of water rate and usage of water from any irrigation work without prior permission would attract penalty not less than 10 times of the water rate. Despite this, neither the Act and the Rules framed thereunder nor any subsequent Government orders prescribed a mechanism for control and monitoring of the drawal and

Good practices

- In Madhya Pradesh and Chhattisgarh, execution of agreement between the Irrigation Department and the organisation drawing water is mandatory before drawal of water from any sources.
- Further, major states like Madhya Pradesh, Odisha, Chhattisgarh, Maharashtra have notified the water rates separately for water used for irrigation and non-irrigation purposes.

usage of water in non-irrigation sector by the Department. Also, except the rates for water used for irrigation purposes, no water rates have been notified for water used for non-irrigational purposes. Due to these deficiencies, the Government remained unaware about the water drawn and used by various organisations in the State and also failed to tap the revenue potential from the non-irrigation sector as discussed in the succeeding paragraphs. Besides, in absence of a basic rate, the penal clause failed to serve its purpose as a deterrent against unauthorised drawal and usage of water.

6.2.4.1 Water utilised for generation of electricity

Clause 11 of the policy for Small Hydropower Development (Policy) issued by the Assam State Electricity Board notified by Government, Power Department in March 2007 stipulated that royalty and cess¹⁰ on use of water for small hydro power development at the prescribed rates would be payable by the power generating units to the Government for generation of electricity. However, the policy stated that if Irrigation Department fixes any water rates for usage of water for generation of electricity, then such rates would be payable.

Category	Royalty at per unit of net energy generated	Cess per kilo watt
	(₹)	
For projects upto five mega watt	Nil ¹¹	
for above five mega watt	0.25	0.05 ¹²

Audit scrutiny revealed that as water rates for water used for non-irrigation purposes have not been notified by the Irrigation Department, they are constrained to accept the payment of water cess at ₹ 0.05 per kilo watt from the hydro-electricity projects as fixed by the Power Department in the 'Policy' as discussed in the succeeding paragraph.

KarbiLangpi hydro-electricity project

KarbiLangpi hydro- electricity project (KLHEP) – commissioned in March 2007 is located at Amtereng (lower Borpani) in Karbi-Anglong District of Assam. The project has a capacity of 100 mega watt (two units of 50 mega watt each).

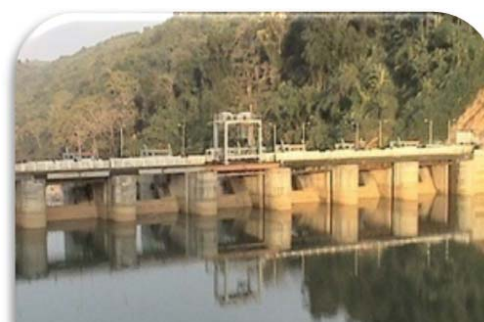
Audit scrutiny revealed that the KLHEP had not taken any permission before drawing water from the Borpani river. Consequently, the concerned irrigation division was not aware of the extent of water drawn by the Project. Due to this lack of co-ordination between the above departments, no water cess/royalty due thereon was assessed by the irrigation division.

¹⁰ For power projects on irrigation canal falls/barrages/dams on rivers/streams etc.

¹¹ Provided the entire energy generated is sold within the State of Assam.

¹² Or as specified by the Irrigation Department, Government of Assam.

Further scrutiny of records of the KLHEP revealed that during the periods from 2007-08 to 2011-12, it had drawn 453.68 crore cum of water from Borpani river on which water cess and royalty of ₹ 66.32 crore¹³ at the rates fixed by the Power Department was payable. As no communication was received from the Power Department, the concerned division of the Department neither assessed the dues nor raised any demand for recovery of the same as it did not have any information about drawal of water by KLHEP. In fact, the division was not aware of the fact that the Power Department has prescribed the royalty/water cess on drawal of water by hydro-electric projects.



Water reservoir in Karbi Langpi Project

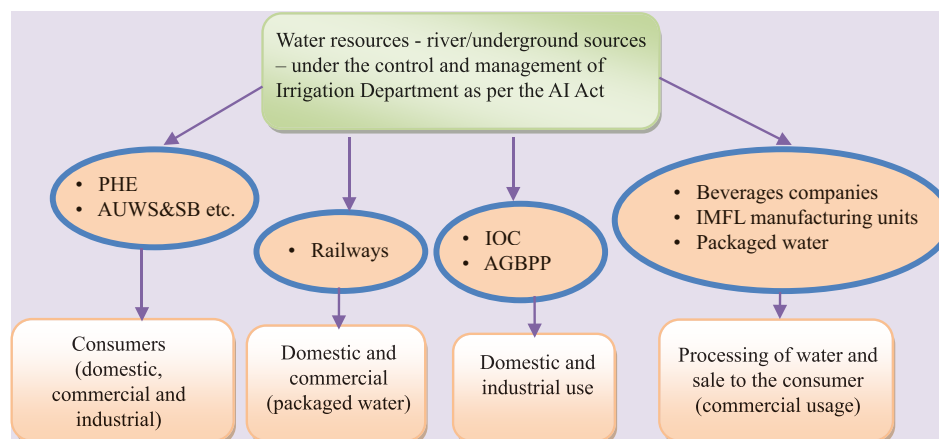
After this was pointed out, the Government stated (August 2012) that as no permission was sought for from the Department for drawing water for generation of power in KLHEP before taking up the project, the Department could make no claim for dues against the water usage. The reply highlights lack of co-ordination between both the departments as pointed out by Audit. Further, the reply was silent regarding the action contemplated by the Government/Department for realisation of the water cess and royalty after this was brought to their notice by Audit.

6.2.4.2 Water used for domestic, commercial and industrial purposes

During the course of audit, it was observed that Railways, Public Health Engineering (PHE) Department, Assam Urban Water Supply and Sewerage Board (AUWS&SB), Indian Oil Corporation (IOC), Assam Gas Based Power Plant (AGBPP) and some other entities/industries were drawing water from underground/river sources in the State without obtaining any permission from the Department. The following flow chart shows drawal of water and its further distribution in case of domestic, commercial and industrial purposes.

¹³ Total energy generated = 221.09 crore units X ₹ 0.30 (royalty and cess) = ₹ 66.32 crore.

Flow chart showing drawal and usage/distribution of water



The volume of water drawn by entities/industries during the period 2005-06 and 2010-11 including the source and purpose of drawal of water are shown in Table 4.

Table 4
Utilisation of water for non-irrigation purposes

Sl. No.	Name of the entity/industry	Source from which drawing water	Volume of water drawn (in lakh cum)	Purpose for which water drawn
1.	Railways ¹⁴	Rivers/underground sources	608.94	Domestic and commercial
2.	Indian Oil Corporation ¹⁵	Do	1,575.79	Domestic and industrial
3.	Assam gas based power plant under North Eastern Electric Power Corporation	Do	195.57	Do
4.	Packaged drinking water units ¹⁶	Underground	2.52	Commercial
5.	Beverages company (Pepsi & Coco-cola)	Do	2.79	Do
6.	IMFL manufacturing units ¹⁷	Do	1.22	Do
7.	Public Health Engineering, Division II, Guwahati ¹⁸	Rivers/underground sources	NA ¹⁹	Domestic and commercial
8.	Assam Urban Water Supply and Sewerage Board ²⁰	Do	359.11	Do
Total			2,745.94	

Source: Information as furnished by the user agencies.

¹⁴ Lumding, Rangia and Tinsukia North Frontier Railway Divisions.

¹⁵ Bongaigaon, Digboi and Noonmati Refineries.

¹⁶ B N Industries, Maa Kamakhya Beverages, Silver drops foods and beverages, Surekha Projects, Udayan Agro Products Private Limited and TFB (India).

¹⁷ M/s Associated Alcohol & Beverages Company (P) Limited, M/s Centenary distilleries (P) Limited, M/s Indo Assam Distilleries (P) Limited, M/s Karnak Distilleries (P) Limited and M/s North East Distilleries (P) Limited.

¹⁸ Urban water supply scheme.

¹⁹ The Department did not furnish the figures, despite specific requests.

²⁰ Dhubri, Guwahati Divisions I and II and Jorhat.

It was noticed that 2,745.94 lakh cum of water was drawn by the few entities/industries test checked by Audit during the period 2005-06 to 2010-11 without permission of the Department. In the absence of a system of monitoring the drawal and usage of water, the Department remained unaware about the volume of water

drawn from the rivers/underground sources of the State though some of these agencies/entities were drawing water purely for commercial purposes.

Good practices

In Madhya Pradesh and Chhattisgarh, automated measuring device is to be installed and maintained by the company/industry drawing water and an officer of the Irrigation Department is to inspect the measuring device periodically.

6.2.4.3 Drawal of underground water through bored deep tube wells

As per Section 63 (vi) of AI Act, drawal of water unauthorisedly is an offence and attracts levy of penalty. Further, as per the mandate of the AUWS&SB, the Board is to regulate the drilling of tube wells, public or private, and to control the drawal of underground water in notified urban areas.

It was observed that despite the presence of two distinct departments/ bodies *i.e.* the PHE Department and the AUWS&SB for supply of water for domestic use in the State, only 33 *per cent* of the population in Guwahati has water supplies²¹, that too for 2-3 hours a day. Due to the failure of these agencies to ensure supply of water to the majority of the population through water drawn from rivers, which are aplenty in the State, a substantial percentage of the population, mainly in urban areas, has resorted to boring deep tube wells and extracting underground water. A number of boring services agencies are operational in Assam.

²¹ City Development Plan, Guwahati available in the website www.jnmurm.nic.in



Boring being done and extraction of water from underground sources

It was further observed that despite clear provisions in the aforesaid Act, there is no system of obtaining permission from competent authority before taking up boring for extraction of water in the State. Even the boring service providers are not required to be registered either with the Department or the AUWS&SB. Also, there is no system of monitoring of water drawn from underground sources through deep tube wells. Resultantly, the authorities neither have any information about the extent of boring done in their jurisdiction nor do they have any information about the volume of water extracted from underground sources. These deficiencies contributed to uncontrolled exploitation of underground water leading to irreversible adverse impact on the ground water level of the State. Notification of rates for water used for non-irrigation purposes would have enabled the Government to tap the revenue potential from usage of water for industrial purposes.

As per the National Water Policy, there should be a periodical reassessment of the ground water potential on a scientific basis and extraction of ground water resources should be so regulated as not to exceed the recharging possibilities. It has also been envisaged that the detrimental environmental consequences of over-exploitation of ground water need to be effectively prevented by the Central and State Governments.

Recommendation 2:

The Government may consider

- *making it mandatory to execute agreements before drawal of water from any water bodies of the State by any organisation;*
- *installing a system for monitoring the quantity of water drawn for proper assessment and recovery of water rates, cess and royalty;*
- *prescribing water rates for water used in non-irrigational sector as per the provisions of the AI Act in the interest of the revenue of the State;*
- *making it mandatory for the boring services agencies to register*

themselves with the Department and the AUWS&SB besides obtaining periodic reports/returns from them; and

- *bringing water users drawing water through bored deep tube wells under the water rate network and installing meters on the bored deep tube wells to assess the water rate payable.*

After this was pointed out, the Government stated (August 2012) that the issues flagged by Audit had been incorporated in ‘The Assam Ground Water Control and Regulation Act (the Act), 2012’ enacted by the Government in May 2012. A perusal of the Act indicated that the following Sections addressed the issues raised by Audit.

Reference of Section	Provision
2 (J)	User of ground water means the person or persons or an institution including a company or an establishment whether Government or non-Government who or which extract or use or sell ground water for any purpose including domestic use made either on a personal or community basis.
5 (5)	The State Authority shall also take steps to ensure that exploitation of ground water resources does not exceed the safe yield limit of the aquifers. Wherever there is mismatch, steps will be taken to ensure augmentation of ground water resources in addition to regulatory measures.
5 (6)	The State Authority shall maintain and upkeep the data-base on ground water related information.
6 (1)	Any user of ground water desiring to sink a well in the notified area for any purpose either on personal or community basis as commercial/ industrial user, shall apply to the State Authority in prescribed form of application for grant of a permit for this purpose, and shall not proceed with such sinking without the permission.
7 (1)	Every existing user of ground water in the State shall apply to the State Authority for grant of a Certificate of registration recognising its existing use in the manner prescribed.
9 (1)	Every rig owner shall register his/her machinery with the State Authority in such manner and/or on payment of such fees as may be prescribed.
9 (2)	Every rig owner or operator shall follow the instructions issued by the State Authority from time to time.
10 (2)	The State Authority may impose and realise Annual Water Rates from bulk as well as commercial and industrial users as decided by the Government.
19 (1) – (3)	Specific provisions inserted on ‘Rain water harvesting for ground water recharge’ in order to improve the ground water situation.

Further perusal of the Act revealed that it *inter-alia* mentions that the Government shall by notification establish an authority namely “The Assam State Ground Water Authority” to exercise the power conferred on and to perform functions assigned to the State Authority under this Act. However, the Government is yet to notify the establishment of the authority due to which though the Act has been notified, its actual implementation could not be initiated.

Recommendation 3:

The Government may expedite notification of “The Assam State Ground Water Authority” so that the provisions of the Act can be implemented, without further delay.

6.2.5 Revenue recovery mechanism

As per provision under Section 81 of the AI Act, water rates not paid on the due date shall be deemed to be an arrear. The divisional irrigation officer may, after an arrear has fallen due in his Division, file a defaulter list in the court of the Deputy Commissioner or Sub-Divisional Officer relating to arrears accruing not earlier than two revenue years previous to preceding 30 June, for the recovery of arrears as public demand under Bengal Public Demand Recovery Act, 1913 (as adopted in Assam).

It was observed that there is no system, in the Department, of periodically reviewing outstanding dues and pursuing the cases for recovery as public demand. Also, no report/return had been prescribed to be furnished by the Divisional officers to higher authorities mentioning the amount of revenue in arrears and their time-wise break up. Consequently, a substantial amount of revenue remained outstanding for more than 15 years. In 13 out of

15 divisions, it was noticed that as of March 2012, an amount of ₹ 33.11 crore pertaining to the period 1994-95 to 2011-12 was pending recovery as mentioned in Table 5.

Table-5
Revenue pending for recovery in 13 Divisions

(₹ in crore)

Sl. No.	Name of Division	Amount	Period
(1)	(2)	(3)	(4)
1.	Jamuna CAD Irrigation Division, Hojai	13.86	1994-95 to 2010-11
2.	Karbi Anglong Irrigation Division, Diphu	7.40	2001-02 to 2010-11
3.	Tezpur Irrigation Division	1.69	2005-06 to 2011-12
4.	Pathsala Irrigation Division	1.77	2001-02 to 2010-11
5.	Pahumara Rupahi Irrigation Division	2.24	2005-06 to 2010-11

6.	Guwahati Irrigation Division	0.75	2000-01 to 2010-11
7.	Dhansiri Weir Project Irrigation Division	0.49	2005-06 to 2011-12
8.	Nagaon Irrigation Division	0.51	2005-06 to 2010-11
9.	Kaliabor CAD Irrigation Division	0.25	2005-06 to 2010-11
10.	Dhansiri Canal I Irrigation Division	0.32	2005-06 to 2011-12
11.	Nalbari Irrigation Division	0.73	2005-06 to 2010-11
12.	Kokrajhar Irrigation Division	1.11	2005-06 to 2010-11
13.	Mangaldoi Irrigation Division	1.99	2005-06 to 2011-12
Total		33.11	

After this was pointed out, the Government stated (August 2012) that necessary instructions have been issued to all Divisions concerned for recovery of water charges including outstanding dues towards irrigation water provided by them. As an effective mechanism to improve realisation of water charges, it has been communicated to the field offices that performance of divisional engineers in respect of realisation of water charges will be reviewed *inter-alia* for reflection in their Annual Performance Reports.

Recommendation 4:

The Government may install a mechanism for periodical review of the outstanding dues in the Divisions and pursuing the cases for recovery as public demand through a time bound action plan. They may also prescribe reports/returns to be furnished by the Divisions to higher authorities for effective monitoring.

6.2.6 Leviability of interest on unpaid dues

As per the form 30 (notice of assessment/demand for water charges) of the Assam Irrigation Water Users Act, 2004, if the amount due on account of water rates is not paid on the due date, it shall be deemed to be an arrear and collected as arrears of land revenue. Besides, the defaulter is also liable to pay an interest at five *per cent* per annum on the arrear amount of water rates.

It was observed that the interest clause for non-payment of water rates is mentioned in the demand notice instead of the Act or Rules. Further, the due date for payment of water rate is within two months from the date of receipt of demand notice. Hence, if demand notice is not issued/delayed, it would have direct bearing on the charging of interest as the interest clause is directly linked with the issue of demand notices.

In 13 Divisions²² supplying irrigation water to different beneficiaries/cultivators it was noticed that though water rates of ₹ 21.68 crore for water supplied for irrigation purpose during the period 2005-06 to 2011-12 was assessed, no demand notice was issued to the beneficiaries. Since the clause for levy of interest on delayed payment of water rates is inserted in the demand notice, non-issue of demand notices in time resulted in non-levy of interest of ₹ 3.38 crore due on the unpaid water rates in these test checked Divisions.

After this was pointed out, the Government stated (August 2012) that instructions had been given to the field offices that while calculating irrigation service charges, interest amount should be calculated along with the principal amount and necessary demand notice should be issued to the beneficiaries from time to time accordingly.

Recommendation 5:

The Government may insert the interest clause as a part of the Act and delink it with the issue of demand notice so as to enable levy of interest automatically in case of delay in payment of water rates.

6.2.7 Internal controls

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. They help in prevention of frauds and other irregularities. Internal controls also help in the creation of reliable financial and management information systems for prompt and effective service and provide adequate safeguards against evasion of revenue.

²² (1) Pahumara Rupahi Irrigation Division, (2) Pathsala Irrigation Division, (3) Kaliabor CAD Irrigation Division, (4) Nagaon Irrigation Division, (5) Tezpur Irrigation Division, (6) Dhansiri Weir Project Irrigation Division, (7) Dhansiri Project Irrigation Division Canal-I, (8) Jamuna CAD Irrigation Division, (9) Karbi Anglong Irrigation Division, (10) Guwahati Irrigation Division, (11) Mangaldoi Irrigation Division, (12) Nalbari Irrigation Division and (13) Kokrajhar Irrigation Division.

6.2.7.1 Internal audit

Internal audit, a component of the internal control mechanism, functions as eyes and ears of the management and is a vital tool which enables an organisation to assure itself that prescribed systems are functioning reasonably well.

It was observed that there is neither any Internal Audit Wing (IAW) in the Department, nor has the department arranged for internal audit of any of its activities by the Director of Local Audit. Resultantly, the department could not detect the deficiencies noticed by Audit and consequently could not take preventative/remedial measures in respect of significant areas of its functions.

Recommendation 6:

The Government may consider either setting up an independent IAW or to ensure that the activities of the department are audited by the Director of Local Audit regularly to ensure that omissions pointed out in this Report are rectified and avoided in future.

After this was pointed out, the Government stated (August 2012) that the Department would try to implement internal audit system as early as possible.

6.2.7.2 Management information system (MIS)

MIS is a key tool for ensuring smooth functioning of an organisation. Besides, reports/returns from the field units is a vital tool for MIS and monitoring the activities of the Department by the higher authorities.

It was observed that the MIS mechanism in the Department was weak as evidenced by non-maintenance of water accounts in the Divisions and deficiencies in reports/returns on various issues which have been commented upon in paragraphs 6.2.3 and 6.2.5. It was also noticed that though the Divisions submit reports/returns to the higher authorities, the figures of revenue collected during the period are only mentioned while other details like opening balance of outstanding dues, amount falling due and the amount remaining outstanding at the end of the report period are not mentioned. Due to these deficiencies, the higher authorities in the Department remained unaware about the actual position of revenue realisable, revenue realised and the balance amount due.

Recommendation 7:

The Government may consider revising the formats of the reports/returns to include the detailed position of revenue realisable, revenue realised and revenue remaining outstanding to make the MIS a useful tool in strengthening the management of water rates.

After this was pointed out, the Government stated (August 2012) that as per the suggestions of Audit, instruction has since been issued to the field offices.

6.2.7.3 Information technology

Information technology is a vital tool for strengthening information systems. This allows simulation of processes, transaction performance measurements which are otherwise time consuming and improve data sharing. Overall, IT has immense potential, if properly implemented.

It was observed that the working of the Department had not been computerised. Consequently, the Department could not derive the benefits of information system which hampered, *inter-alia*, sharing of data and monitoring the process of recovery of water rates by various divisions.

Recommendation 8:

The Government may consider early computerisation of the entire gamut of activities of the department through a timebound action plan.

After this was pointed out, the Government stated (August 2012) that computerisation would be taken up in future subject to availability of funds.

Compliance deficiencies

6.2.8 Loss of revenue due to loss of water in transit beyond permissible limit

During the course of supply of water through canals, loss of water in transit is inevitable by way of seepage, evaporation etc. Keeping in view the various factors of losses, transit loss for supply of water is fixed at a maximum of five *per cent* by the department. Water discharged for irrigation purposes cannot be utilised for any purpose other than the irrigation. Further, unauthorised drawal or use of water from any irrigation work attracts levy of penalty which shall not be less than 10 times and not more than 30 times the water rate leviable. The penalty is leviable over and above the water rate.

It was observed that in seven out of 15 irrigation divisions²³, 28.25 lakh cusec²⁴ of water was discharged/released for irrigation during the years 2005-06 to 2010-11. After providing for five *per cent* towards permissible transit loss of water, 26.84 lakh cusec of water was to be utilised for irrigation purpose, against which 21.05 lakh cusec of water was utilised. Thus, there was excess transit loss of 5.79 lakh cusec of water which could have been

utilised in irrigating 115.79 lakh hectare²⁵. As the report/return mechanism did not contain scope for incorporating detailed information on water discharged, water utilised for irrigation, water rates due for recovery and those recovered and water rates pending recovery, the higher authorities remained unaware about the excess loss of water in transit. The Divisions also did not analyse the reasons for such high incidences of loss in transit which was far more than the ceiling prescribed for the purpose. The excess volume of water lost in transit over and above the prescribed percentage had the potential of generating revenue of ₹ 325.64 crore (**Annexure – IV refers**) if the concerned Divisions took necessary steps to plug the leakages beyond the acceptable limits.

After this was pointed out, the Executive Engineers (EEs) of the four divisions²⁶ stated that the main reasons for excess loss of water over the permissible limit was illegal cutting of canals/channels, use in pisciculture, horticulture and domestic purposes etc. From the replies, it was noticed that

²³ (1) Dhansiri Irrigation Division Canal-I, (2) Dhansiri Weir Project Irrigation Division, (3) Guwahati Irrigation Division, (4) Jamuna CAD Irrigation Division, (5) Kaliabor CAD Irrigation Division, (6) Karbi Anglong Irrigation Division and (7) Nagaon Irrigation Division.

²⁴ When water is discharged for irrigation purpose, it is termed as cubic feet per second *i.e.* cusec and 1 cum = 35.31 cubic feet.

²⁵ one cusec in 20 hectare.

²⁶ (1) Dhansiri Project Irrigation Division Canal-I, (2) Dhansiri Weir Project Irrigation Division, (3) Kaliabor CAD Irrigation Division and (4) Nagoan Irrigation Division.

in three divisions²⁷ the excess wastage was mainly due to illegal cutting of canals/channels and though these concerned Divisions were aware of such illegal drawal of water, neither any action was taken by them to stop such illegal drawal of water nor was the minimum penalty of ₹ 134.39 crore²⁸ levied.

After this was pointed out, the Government stated (August 2012) that utmost efforts would be taken to minimise the loss of water in transit even as it is a difficult task with the existing manpower available at divisional offices to check each and every point of outlet.

Recommendation 9:

The Government may prescribe a system of reporting the position of water discharged/released vis-à-vis those utilised to the higher authorities for monitoring. Further, concrete steps may be taken to minimise the inadmissible wastage to enable the department to realise the revenue, otherwise due to the Government.

6.2.9 Under assessment of water rates

The Irrigation Department, Government of Assam in March 2000 revised the water charges as ₹ 281.24 per hectare for *Kharif*, ₹ 562.50 per hectare for *Rabi* and ₹ 751.00 per hectare for *Ahu/* early *Ahu* with effect from the *Rabi* crop of the year 2000-01.

It was observed that in three out of 15 irrigation divisions²⁹, 96,370.55 hectares of land was utilised for cultivation of *Kharif* crop, 33,364.70 hectares for *Rabi* crop and 1,673.55 hectares for *Ahu/* early *Ahu* crops during 2005-06 to 2010-11. The divisions assessed the dues as ₹ 89.35 lakh at rates lower than those applicable against total assessable amount of ₹ 4.71 crore as per the

prescribed rates. This resulted in underassessment of water rates of ₹ 3.82 crore. Details are shown in **Annexure- V**.

After this was pointed out, the Government stated (August 2012) that necessary instructions have already been issued to the field offices to assess correctly water rates as per rate fixed by the Government from time to time. The reply, however, remained silent regarding the action contemplated by the Government/department to recover the water rates underassessed in the cases pointed out by Audit.

²⁷ Dhansiri Weir Division, Nagaon Division and Kaliabor CAD Division.

²⁸ Ten times of the water drawn (23,892.66 cusecs water) in excess of the permissible limit involving water rate of ₹ 13.44 crore.

²⁹ (1) Dhansiri Project Irrigation Division Canal-I, (2) Kaliabor CAD Division and (3) Karbi Anglong Irrigation Division.

Other areas of interest**6.2.10 Non-finalisation of the State Water Policy of Assam**

In view of the growing concern for conservation, development and management of water resources throughout the country, the Water Resources Ministry, Government of India has come out with a perspective plan for effective planning and management of this prime natural resource, named as “National Water Policy” in 2002. The plan included various aspects like water resources planning, ground water development, drinking water, irrigation, resettlement and rehabilitation, conservation of water, flood control and management, etc. It was envisaged that the success of the Policy would depend entirely on evolving and maintaining a national consensus and commitment to its underlying principles and objectives and to achieve the desired objectives, State Water Policy backed by an operational action plan was desired to be formulated in a time bound manner within two years.

It was observed that though the National Water Policy envisaged preparation of State Water Policy by the State Governments backed by an operational action plan within two years from the date of publishing of the National Policy *i.e.* April 2002, it took almost five years for the GOA to prepare a draft “State Water Policy of Assam – 2007”. Further, the Government/department has not finalised the draft Policy and consequently it could not be presented in the State Legislature for deliberation. Resultantly, the objectives envisaged in the draft State Policy *i.e.* ensuring preservation and development of all water resources and optimised utilisation of the available resources, judicious and economically sound allocation of water resources to different sectors, facilitation of rainwater harvesting and recharging ground water aquifers etc., remained on paper

without being implemented.

Absence of an overarching Policy controlling the activities of various Departments and agencies, weakened the planning and management of water resources in the State.

After this was pointed out, the Government stated (August 2012) that the draft State Water Policy as prepared by the State Water Resources Department is not yet finalised.

Recommendation 10:

The Government may process the “State Water Policy” and finalise it for presentation in the State Legislature for their perusal, approval and implementation in the State without any further delay.

6.2.11 Conclusion

Water is the most precious natural resource, yet its availability is limited. Uncontrolled and unscientific exploitation without proper monitoring may have disastrous consequences. Significant deficiencies in the management of water resources and recovery of revenue therefrom, was noticed in audit as discussed below.

Despite lapse of more than nine years after the National Water Policy 2002 had come into effect, Government has not framed the State Water Policy and consequently, issues like monitoring and management of water resources could not be ensured. Absence of a prescribed timelimit for completion of assessments and issuing demand notices for recovery of water rates from irrigation sector resulted in non-realisation of substantial revenue and non-levy of interest. There was neither any control nor monitoring of water used in non-irrigation sector which included water used for generation of electricity, domestic, commercial and industrial purposes. The Department thus remained unaware about the water drawn and used in non-irrigation sector in the State. Though the AI Act specified that no water from any water bodies of the State would be used without payment of water rates, Government is yet to notify the rates for water used in non-irrigation sector. Resultantly, substantial revenue potential in the shape of water rate remained untapped. Due to insufficient supply of water for domestic purposes by the PHE Department and the AUWS&SB, substantial population especially in urban areas resorted to boring deep tube well and extraction of water on which the department has no control or monitoring. Besides immense adverse impact on the ground water, this has resulted in leakage of revenue as well. Internal controls in the department needed to be improved as absence of an internal audit wing, defective MIS and non-implementation of computerisation were noticed in the department. As a result of the above deficiencies, non-tax revenue of ₹ 617.44 crore remained unrealised only in respect of irrigation sector while the revenue implication in non-irrigation sector could not be worked out due to non-existence of rates. This evidences that there has been absolute apathy of the Government in fixing water rates for water used in non-irrigation sector which is mainly *used in urban areas and for commercial purposes* and therefore the water users in non-irrigation sector has been allowed to draw and use water without payment of water rates to the Government. However, the water rates for irrigation water supply which is mainly *used by poor farmers* has been fixed long back.

6.2.12 Summary of recommendations

The Government may consider implementing the recommendations included in the respective paragraphs (*except the ones at Recommendation:2, some of which have been implemented*) with special emphasis on the following to rectify the deficiencies:

- *finalising the ‘State Water Policy’ and presenting it to the State Legislature for its early approval;*
- *prescribing the time limit for completion of assessments and raising of demands;*
- *prescribing the water rates for water used in non-irrigational sector as per the provisions of the AI Act;*
- *installing meters on the bored deep tube wells to assess the water drawn/ water rate payable;*
- *notifying ‘the Assam Ground Water Authority’ expeditiously for implementing the provisions of the ‘Assam Ground Water Control and Regulation Act’;*
- *inserting the ‘interest clause’ as part of the Act and delink it with the issue of demand notice so as to enable automatic levy of interest in case of delay in payment of water rates; and*
- *setting up an independent internal audit wing and revising the formats of the reports/returns to include the detailed position of the water account in the divisions, revenue realisable, revenue realised and revenue remaining outstanding to make the MIS foolproof.*

6.3 Audit observations

Scrutiny of the records of the E&F Department (department) revealed several cases of non-observation of the provisions of the Acts/Rules/departmental orders as mentioned in the succeeding paragraphs. These cases are illustrative and are based on test checks carried out by Audit. Some of these omissions on the part of the departmental officers are pointed out by Audit each year. However, not only do the irregularities persist, these remain undetected till subsequent audit is conducted. It is a matter of concern as these observations are also sent to the higher authorities including the Government each time these are detected. There is, thus, a need for Government to improve the control and monitoring mechanism in the department, besides putting in place an effective internal audit system so that these omissions are prevented, detected and corrected regularly and promptly.

6.4 Non-realisation of forest royalty of ₹ 17.86 lakh on forest produce utilised for departmental works

[Field Director, Tiger Project, Manas; June 2011]

The Government of Assam vide order no. FRS.1/2004/Pt/47 dated 1 September 2009 revised the rates of all classes of forest produce payable by the departments of the State Government for undertaking works in the State.

Further, as per the system in place, while taking delivery of forest produce from the suppliers, payment of forest royalty is to be insisted and if the same is not produced by the supplier, the same should be deducted from the bills of the suppliers while making the payments.

During test check of records in the above office, it was observed that the Division purchased 2,674.77 cft timber, 11,292 cum sand, 1,135 cum chips and 2,461 cum boulders from various suppliers for construction works *i.e.* roads, buildings and bridges. It was noticed that while taking delivery of the forest produces, the Division neither obtained proof of payment of royalty from the suppliers nor deducted the same while making payments. It was further noticed from the Divisional cash book that the forest produce were collected locally.

Not only did the Division not realise royalty of ₹ 17.86 lakh, but the Division extended undue financial benefit to the suppliers to that extent.

After this was pointed out, the department while admitting the fact stated (September 2012) that forest royalty relating to the forest produce utilised in the construction works were not included in the estimates prepared and the forest produce were collected locally. The reply is not convincing as the Rules are explicit about recovery of royalty while usage of forest produce. Further, the reply highlights the need for more effective scrutiny of the estimates by the higher authorities in the department before sanction of the funds.

The case was reported to the Government in July 2011 and followed up in April 2012; their replies have not been received (November 2012).

6.5 Non-deduction of value added tax of ₹ 7.04 lakh and consequent overpayment to the same extent

[Principal Chief Conservator of Forests (PCCF), Assam; June 2011]

As per Section 9 of the Assam Value Added Tax (AVAT) Act, 2003 (implemented from May 2005) the sale of goods listed in the first schedule shall be exempted from tax subject to the condition and exception, if any, set out therein. Further, under Section 47(3) of AVAT Act, every person responsible for making payment in respect of any purchase of goods liable to tax under the Act to the Government, at the time of credit to the account or payment to the payee of such amount, shall deduct an amount calculated at the rate as may be specified in the schedule from such sum towards full satisfaction of the tax payable under the Act.

During scrutiny of the records of the PCCF, Assam, it was observed that work orders for supply of uniform (11,270 shirts and pants) to various divisions were issued³⁰ (July 2008 and January 2009) in favour of M/s Hema Trading (the firm) which accordingly arranged for the cloth and stitching of the uniform. The firm supplied the shirts and trousers to the Forest divisions between August 2008 and April 2009. It was, however, seen that while making the payment of ₹ 56.28 lakh, VAT of ₹ 7.04 lakh recoverable @

12.5 per cent (uniform/ shirts/trousers being unclassified goods is taxable at 12.5 per cent) was not deducted from the suppliers bills, treating the same as exempted goods. Since order for supplying of uniform was given to a firm and the department had got the product in finished form, tax was deductible under AVAT Act from the payment made to the firm irrespective of the fact that the firm had arranged for stitching by sub-contracting the work order.

³⁰ Order No. FG.45/Uniform/2008 dated 31 July 2008 and 12 January 2009.

After this was pointed out, the PCCF stated (August 2011) that the firm was being asked to produce proof of payment of VAT or to deposit the amount in proper head of accounts without delay. Report on further development has not been received (November 2012).

The case was reported to the Government in July 2011 and followed up in April 2012; their replies have not been received (November 2012).

6.6 Construction/improvement of highland and desiltation of water bodies – avoidable expenditure of ₹ 39.57 lakh

[Divisional Forest Officer (DFO), Guwahati Wildlife Division; April 2011]

Administrative approval and expenditure sanction were granted (February 2010) by the Government of Assam, Department of Environment and Forest for desiltation of water bodies within the Pobitora Wildlife Sanctuary during the year 2009-10 at an expenditure of ₹ 64 lakh. Also, sanction for construction/ improvement of highland inside the Sanctuary at a cost of ₹ 40 lakh was granted vide the same orders as referred above.



During scrutiny of the records relating to the above two works it was observed that the work of desiltation of water bodies was carried out in eight places inside Pobitora Wildlife Sanctuary under Guwahati Wildlife Division during March 2010 and 50,400 cum of earth was removed by using excavators.

Earth dumped after desiltation process



Creation of highland and resultant pits

The earth so removed was dumped at various places away from the shore of the water bodies by using dumpers/tippers. An expenditure of ₹ 63 lakh was incurred in the above desiltation process (the remaining ₹ 1 lakh was spent on other items for the work). It was also noticed that during the same period, the Division created new highlands/improved existing highlands at five places inside the Sanctuary by extracting 32,972 cum of earth from within the Sanctuary, incurring an expenditure of ₹ 39.57 lakh.

Thus, while 50,400 cum earth was dug out of the water bodies incurring an expenditure of ₹ 63 lakh, the Division spent another amount of ₹ 39.57 lakh on cutting of 32,972 cum of earth which was required for the creation/improvement of highlands. Had the Division used the earth extracted from the water bodies judiciously and dumped it strategically at the required places, the expenditure of ₹ 39.57 lakh on extracting earth for creation/improvement of highlands could have been avoided. Besides, the large pits created due to cutting of earth from inside the Sanctuary for creation of highlands have the possibility to harm the animals during rainy season when the Sanctuary is usually inundated with flood waters.

After this was pointed out, the department stated (September 2012) that both the works were part of a host of other works for which a special assistance (one time) was received from the Government of India which was received at the fag end of the year. Due to such late receipt of funds, the Division took immediate steps for carrying out the works as sanctioned by the GOI in the interest of the animals. They also stated that the sanctuary is severely affected due to want of funds and thus, the central assistance was very vital and a source of injecting new life into the Sanctuary. The department further stated that the structure of soil of woodland is different from that excavated from water bodies, implying thereby that the latter could not have been used for creation of highlands. This portion of the reply was not acceptable as supporting documents indicating that the department has carried out soil tests were neither found on records during Audit of the Division nor furnished by the department alongwith the reply. Further, information independently obtained by Audit from the Guwahati Metropolitan Development Authority

(GMDA) and Northeast Frontier Railway (NFR) shows that silt excavated from rivers/water bodies has specifically been used for creation of highlands for making embankment/laying railway tracks of height much higher than those of the highlands created in the Sanctuary.

However, the main thrust of the reply indicates that the Division has only carried out the works that were allotted to it through the central assistance of GOI. This when seen against the fact that the soil excavated from the water bodies could have been used for constructing highlands in the lines as done by the NFR and GMDA authorities indicates a need for the E&F Department in Assam as well as GOI to examine the schemes more critically to ensure that funds are not allocated for projects which are avoidable.

The case was reported to the Government in May 2011 and followed up in April 2012; their replies have not been received (November 2012).

6.7 Settlement of tenders for supply of feed for captive animals above the prevailing market prices resulted in excess expenditure of ₹ 18.68 lakh

[DFO, Assam State Zoo Division; June 2011]

As per General Financial Rules (GFR), while incurring expenditure from Government funds, a Government servant is expected to exercise same prudence as a common man would if he is spending money from his own pocket. Further, the GFR provides for negotiating the rates only with L1 tenderer (lowest tenderer) so as to bring down the rates, further.

During test check of the records pertaining to procurement of feed for captive animals in the above Division, the following deficiencies leading to excess expenditure of ₹ 18.68 lakh were noticed.

Before finalising the tenders for supply of feed during the years 2007-08 and 2008-09, market rates were obtained by the Division from various sources like the Deputy Director of Agriculture (Marketing) {DDA (M)} and the Veterinary Officer (VO), Guwahati Municipality Corporation (GMC) as

these agencies survey and maintain market rates of various commodities. The market rates were also independently collected by the Division from the market by forming a Committee consisting of the Assistant Conservator of Forests, Forest Veterinary Officer, Range Officer and the Botanist. Scrutiny of the rates collected by the Committee indicated that these rates were “**retail market rates**” which were higher than the wholesale prices.

Further, an analysis of the rates collected by the Committee through market survey as available in the files of the Division indicated that the rates of items like dressed chicken, broken rice and crushed maize were lower than those obtained from the DDA (M) and the VO (GMC).

Item	Rates collected by Committee	Rates given by DDA (M)/ VO (GMC)	Rate at which settled
Dressed chicken	₹ 100/kg	₹ 150/kg	₹ 149/kg
Broken rice	₹ 12/kg	₹ 15/kg	₹ 17/kg
Crushed maize	₹ 10/kg	₹ 45/Kg	₹ 28/kg

While preparing the comparative statement of the tender rates for selection of bidders, the retail market rates collected by the Committee were not considered as base rates and instead the rates obtained from the DDA (M) and VO (GMC) were mentioned as the base rates though the latter were higher than retail market rate. As a result, the materials were procured at higher rates for which the Division had to incur excess expenditure during 2007-08 and 2008-09.

It was further observed that while finalising the tenders for supply of feed for the year 2009-10, the Division collected the rates from the DDA (M), VO (GMC) and the Kamrup Chamber of Commerce. During this year, the Division did not make any effort to collect the retail prices of commodities independently by deputing forest officials, reasons for which were not available on records/produced to Audit.

An analysis of the settlement of tenders for the year 2009-10 indicated that though the Division obtained the rates of commodities from the Kamrup Chamber of Commerce, these rates were not considered as base rates while preparing the comparative statements of respective commodities. Consequently, tenders for supply of commodities namely gram whole, wheat bran, broken rice and rice (*aijong*) were settled at higher rates.

Audit has independently collected the prevalent retail market rates of the aforesaid commodities in Guwahati during 2009-10 from the website of the Department of Consumer Affairs, GOI.

Item	Rates as per the website of Deptt of Consumer Affairs, GOI	Rates given by DDA (M)/VO (GMC)	Rates at which settled
Gram whole	₹ 37.75/kg	₹ 65/kg	₹ 63/kg
Wheat bran	₹ 15.50/kg	₹ 24/kg	₹ 21.50/kg
Broken rice	₹ 16.80/kg	₹ 20/kg	₹ 21/kg
Rice (<i>aijong</i>)	₹ 16.80/kg	₹ 25/kg	₹ 25/kg

A comparison of these

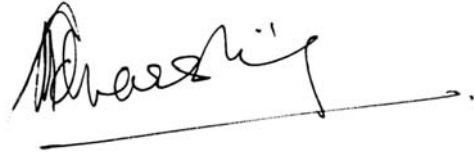
rates with those at which the supply of these items was settled revealed wide variation. These were considered as the base rates while calculating excess expenditure on supply of feeds during 2009-10. The variation would be even greater if the wholesale rates quoted by the Kamrup Chamber of Commerce were taken into consideration.

Thus, despite availability of the prevailing market rates of various items, these were not considered as 'base rates' while preparing the comparative statements, thus defeating the core purpose of collecting the market rates and finalising the contract at competitive rates. This irregularity resulted in excess expenditure of ₹ 18.68 lakh.

After this was pointed out, the department stated (September 2012) that the rates are finalised by taking various aspects into consideration like lowest prices offered, prices prevalent at that time, supply of items throughout the settlement year irrespective of price fluctuation. It was also stated that the quoted prices of the items were scrutinised by the Scrutiny Committee, through which negotiation takes place to reduce the lowest quoted rates to maximum extent. They further stated that most of the items under various ration groups were seasonal in nature and thus the cost of the same was subject to seasonal variation.

The reply did not touch upon the point as to why the retail market rates collected by the Divisional staff from the market during 2007-08 and 2008-09 and those obtained from Kamrup Chamber of Commerce during 2009-10 were *not marked* as 'base rates' while preparing the comparative statements. This would have enabled the Scrutiny Committee to further lower the rates offered by the tenderers and in the absence of the same, the Scrutiny Committee was handicapped and took the 'base rates' as mentioned by the Division in the comparative statements (which were higher than those collected from the market by Divisional staff and Kamrup Chamber of Commerce) for negotiation with the lowest tenderers. Further, the contention of the department that most of the items were seasonal is not tenable as the audit paragraph is on non-seasonal items like chicken, rice, cereals etc.

The case was reported to the Government in July 2011 and followed up in April 2012; their replies have not been received (November 2012).



Place: Guwahati

(C H Kharshiing)

Date:

Accountant General (Audit), Assam

Countersigned



Place: New Delhi

(Vinod Rai)

Date:

Comptroller and Auditor General of India